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LEGISLATIVE SESSION HIGHLIGHTS & OUTLOOK

"The moral test of government is how it treats those who are in the dawn of life, the children; those who are in the shadows of life, the sick the needy and the handicapped; and those who are in the twilight of life, the elderly."

-Hubert Humphrey

Winter 2003/04

Dear Friends,

The 2003 Legislative Session was the most challenging in decades. Transportation gridlock, high health care costs, high unemployment, revenue shortfalls, business climate concerns – many of these issues came to a head as a result of the economic recession that followed the terrorist attacks and the war in the Middle East.

In the face of this uncertain future, a politically divided Legislature was able to agree on a limited agenda of funding critical transportation improvements, controlling prescription drug costs, balancing the budget without new taxes, and adopting a series of controversial business climate reforms. These were not easy agreements, and while we were able to protect children's health care and basic education from major reductions, core funding for higher education and the Basic Health Plan was cut and K-12 education improvements – strongly supported by the voters – were deferred and delayed.

The fiscal fabric of our state government may be frayed, but the fabric of our democratic society is strong and durable. The debate over how to improve public education rages on, fueled by funding cuts and the concerns of parents, teachers and employers about how to build a more vibrant future. Arguments over spending and taxes, initiatives and primary elections, terrorism and civil rights, war and peace fill our e-mail, newspapers and airwaves. This is not idle chatter, it is the substance of democracy – it defines us and makes us a better society despite our difficulties and differences.

As we prepare for the 2004 Legislative Session in January, I am reminded that our ability to meet Hubert Humphrey's true test of society rests on our ability to build a strong economy and to be careful stewards of the resources with which we are entrusted. This means we must invest carefully to build the skills, jobs and opportunities for the future that we all desire.

As always, your calls, letters and e-mails help to shape my thoughts and proposals as together we struggle to create a more perfect union. Please stay in touch – it's the only way we will succeed.

Sincerely,

Representative Jim McIntire



LEGISLATIVE SESSION HIGHLIGHTS & OUTLOOK

TRANSPORTATION INVESTMENTS - FINALLY!

For the first time in 13 years, the Legislature agreed to new funding for critical safety and mobility investments in our transportation system. Following the defeat of a nine cent gas tax increase at the polls a year ago, the Legislature settled on a more modest, nickel increase in gas taxes, along with a 15 percent increase in truck weight fees and a 0.3 percent sales tax increase on vehicles. This measure will provide for \$4.2 billion of investment over 10 years, including over \$600 million for transportation alternatives and \$177 million to redesign the Alaskan Way Viaduct.

CONTROLLING PRESCRIPTION DRUG PRICES

Prescription drugs prices are a major source of health care cost inflation. The Legislature adopted a plan for bulk purchase of drugs to save money. This measure includes a preferred drug list based on the best medical evidence available, and will save senior citizens and our state government millions of dollars every year without lowering our quality of care. To get more details on this program, visit the prescription drug reform website at www.rx.wa.gov.

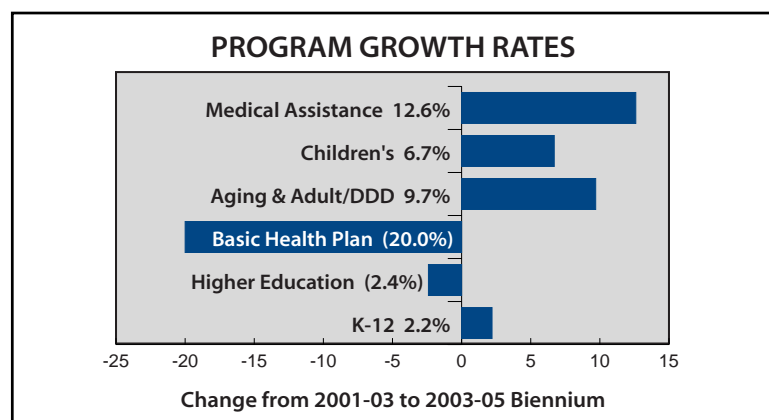
CLEANING UP MERCURY

An environmental victory was achieved this year when the Legislature adopted a ban on mercury products where safe and cost effective alternatives are available (such as thermometers, vehicle switches, and thermostats). This measure also ends school uses of mercury and launches a public education campaign – requiring product labels – to encourage the safe disposal of this toxic substance.

BALANCING THE BUDGET

Most states faced huge budget shortfalls last year due to the national recession and rising health care costs. Many closed this gap with both spending reductions and higher taxes. In Washington, neither house of the Legislature would support raising taxes, so our \$2.6 billion gap between expected revenues and estimated expenditures was closed with painful cuts in public services.

Voter initiatives calling for increased health care, teacher pay raises, and class-size reduction were suspended. Students at universities and community colleges will pay higher tuition, and the Basic Health Plan will have 25,000 fewer enrollees. No cost of living increases were granted for teachers, faculty or state employees, and everyone will pay higher health benefit costs.



Overall, state spending rose by just 2 percent – not nearly enough to cover increases in caseloads and health costs. Hardest hit were the Basic Health Plan and higher education. To avoid these cuts, I proposed extending the sales tax to candy and gum, and a modest increase in the sales tax. But when there weren't enough votes to pass this proposal, I reluctantly agreed to support the budget compromise after making certain that children's health care and higher education funding were improved over the Senate budget.

KEEPING BOEING

As a global competitor, Boeing has been intent on diversifying its geographic concentration outside of Puget Sound for some time. The decision to entertain other locations to build the 7E7 was based on the hard fact that while Washington enjoys many benefits desirable to business – such as a high quality of life and well-educated workforce – we also have serious transportation problems and high business taxes.

In addition to a transportation package in the regular session, the Legislature took several actions to ensure that Boeing stays in Washington:

- A series of tax reductions to allow Boeing to lower its taxes by \$3.2 billion over 20 years, but only if it chooses to build a significant portion of the 7E7 here, keeping and creating thousands of family wage jobs. I helped to pass this bill because it could cut our losses if it keeps Boeing and it will help to build a stronger and more vital manufacturing base for the future. I am pleased they have decided to build the 7E7 here in Washington.
- Two measures were enacted to lower labor costs. One overhauled the Unemployment Insurance system, improving tax equity for businesses and lowering benefit payouts. The other tightened the process for claiming Workers Compensation for on the job hearing loss. In both cases I supported alternative measures that would have benefited Boeing, but would have been fairer, less costly, and would have better protected injured workers, farmworkers, and women.

FISCAL REFORM

The budget gap and the rush to “Keep Boeing” during the 2003 Session underscore some of the fault lines in Washington’s fiscal structure. Last year I served on the Tax Structure Study Commission, headed up last year by William Gates, Sr. Contrary to widespread opinion, the Legislature did act on some of the Commission’s recommendations:

- Municipal business tax reforms were adopted, creating a more uniform structure for local B&O taxes and providing for the fair apportionment among local governments.
- “Streamlined sales tax” legislation was enacted to bring our sales tax definitions into alignment with those of other states. If enough states adopt these definitions, several national retailers have pledged to voluntarily collect sales taxes for all taxable sales in these states, including those by mail order and internet, thus improving tax equity for local merchants and revenue for the state.
- Another recommendation was to conduct regular evaluations of Washington’s tax exemptions. We have over 400 exemptions in our tax code, some dating back to the 1930s, which have never been evaluated for their effectiveness. I proposed a bill to create a citizen’s commission to conduct performance audits for these tax preferences at least once every ten years. The bill received a bi-partisan vote in the House, but did not get a hearing in the Senate.
- Another bill I sponsored eliminated 17 tax exemptions that are no longer in use – it too passed the House handily, but didn’t make it out of the Senate.

As a member of the Appropriations Committee, I drafted a proposal to create a legislative “Fiscal Stability Committee” to come back to the Legislature in January 2004 with a package of specific proposals for spending and tax limits, along with tax structure changes, to improve our fiscal stability. This proposal was written into the budget bill adopted by the House, but was rejected by the Senate.

One of my proposals incorporated into the final budget called for the Governor to continue and improve his “Priorities of Government” process for the development of the next budget. The measure required earlier identification of key priorities and activities, and improved measures for evaluating government performance.

NEXT SESSION: BUDGET

A supplemental budget, updating our two-year budget at midpoint, will be needed to provide funding for higher than expected K-12 enrollments, prison populations, and General Assistance caseloads. We will also need to find funding to pay for fighting fires last summer, and to fund the collective bargaining agreement for homecare workers.



NEXT SESSION: RESEARCH AND DEVELOPMENT

Perhaps the largest fiscal issue during the 2004 Session will be whether to extend a package of tax exemptions designed to encourage business investments in research and development (R&D). These measures were proposed by Governor Lowry and adopted by the Legislature in 1994, and are set to expire next year. Re-enactment will mean \$57 million less revenue for the 2003-05 biennium, and \$175 million less for the 2005-07 biennium.

Evaluations conducted by the Department of Revenue, with help from the Department of Economics at the University of Washington, offer strong evidence that the companies claiming these tax benefits did create a significant number of new jobs in Washington.

I hope that we can find a way to tighten, target, and improve measures this year, building in more accountability and future evaluations to ensure they continue to serve their public purpose.

I also hope that this stimulus to private sector investments in R&D can be balanced with increased public sector investments in research and higher education. The Technology Alliance’s report card on Washington’s potential to attract and retain high tech and bio tech development gave our state a “D” in funding for higher education and a “C+” for research capacity. Washington ranks fifth from the bottom in state research funding in this area.

Investments in both private and public sector R&D are critical to building a competitive economy for the future. These are the investments generate new ideas, new technologies, new products, new markets – and new jobs with high skills and good wages. Investments in K-12 education and community colleges are absolutely necessary for building a competitive economy, but they alone are not sufficient unless we are content to become a low-cost place to produce products conceived and designed elsewhere. A truly competitive economy requires investments in upper division higher education and a balance of investments in both public and private research and development.

**WHAT DO YOU THINK? SEND ME YOUR
COMMENTS AND IDEAS!**

NEXT SESSION: A NEW PRIMARY

In September 2003, the 9th Circuit Court of Appeals ruled that each political party should be able to control who selects the party's nominees. Consequently, the circuit court ruled that Washington's blanket primary system violates the political parties' right to free association because it allows voters who are not affiliated with a party to participate in the selection process. While this decision is being appealed to the Supreme Court, it is widely believed that the Court will not overturn the Circuit Court's ruling, given its ruling on the California blanket primary in June 2000.

As a result, the Legislature will need to consider adopting a new primary system during the 2004 Session. What are the options for a new primary system for Washington? Following are several of the leading options:

- **Closed Primary, Unaffiliated Voters Excluded:** Voters must declare their party affiliation, if any, when they register to vote. Only voters affiliated with a major party may participate in the primary for partisan offices, and they receive a ballot that contains only the names of candidates for the party with which he/she is affiliated. Unaffiliated voters and voters affiliated with minor parties are excluded. 15 states use this primary system, including California, New York, and Pennsylvania.
- **Closed Primary, Unaffiliated Voters Included:** Same as the previous option, except that unaffiliated voters may choose to receive a ballot of a major party and vote in that party's primary. 13 states use this model, including Colorado, Oregon, and Massachusetts.
- **Open Primary, Public Declaration of Party Affiliation:** Voters are not required to declare their party affiliation until they vote, when they are given one ballot for the major party they choose. The choice they make as to which party's ballot they select is made a public record. 11 states use this model, including Ohio, Illinois, and Texas.
- **Open Primary, Private Declaration of Party Affiliation:** Like the previous option, except that the choice of party ballot that the voter makes is not made a public record. 9 states use this approach, including Michigan, Montana, and Hawaii.

- **No Major Party Primary:** Major political parties select their nominees for partisan office according to party rules, generally providing for nominating caucuses and conventions. This model is no longer in use by any state.
- **Modified Blanket Primary, Top Two Go To General Election:** Voters do not declare their party affiliation when they register to vote, and are permitted to vote for one candidate for each partisan office and are not restricted to voting for candidates from only one major party. The choice each voter makes is not made a public record. For each partisan office, the two candidates who receive the most votes appear on the general election ballot, regardless of party affiliation. This approach is used by Louisiana only.
- **Nonpartisan Offices and Primary:** All offices are nonpartisan. Candidates do not declare political party affiliation at the time that they file for office, and no party affiliation appears on the ballot. Voters may vote for only one candidate per office. The two candidates with the most votes advance to the general election ballot. This model is like that used for local government in Washington.
- **Do Nothing:** Under this chaotic circumstance, the most likely result would be that all candidates would appear on the general election ballot, similar to the recent California recall election.

At present, I am leaning toward the Open Primary, Private Declaration of Party Affiliation option because it gives voters the greatest privacy regarding their choice of party without goofy results. While some I have spoken with prefer the Modified Blanket Primary, I am concerned that this option could result in wasteful, redundant choices between candidates from the same party. In the last four election cycles, 41 general election legislative races would have been between members of the same party – and in 1996, the general election race for both Governor and Lt. Governor would have been within the same party.